

**Frequently Asked Questions on the
Health Savings Accounts and High Deductible Health Plan (HDHP)
October 26, 2005**

Questions about the Mechanics of the Health Savings Account

1. Can you use the money in the account to pay for medical expenses of individuals not covered by the high deductible health plan?

Answer: Yes, money in the account can be used to pay for qualified medical expenses for any person, but those expenses will not be included in your deductible.

2. Can you use the money in the account to purchase health insurance for your children?

Answer: No, there are certain types of expenditures for which you may not use the funds in your account and they include expenses for insurance, EXCEPT long-term care insurance, COBRA health care continuation coverage, premiums for health care coverage while an individual is receiving unemployment compensation, premiums for Medicare, and for employees over 65, the employee share of premiums for employer-sponsored health insurance.

3. What do you do if you incur expenses which are eligible to be paid for out of your account, but the money isn't there yet?

Answer: You should pay for the expense out of other funds you have or if it is a large expense work out a payment plan with the provider and then as the money becomes available in your health savings account, you can reimburse yourself by writing yourself a check out of the account.

4. If there is money in the account when you die, what happens to it?

Answer: The account passes to the beneficiary you named when you opened the account to be used for qualified medical expenses.

5. Who is monitoring how the money in the account is being used?

Answer: You own the account and it is up to you to keep good records. The only monitoring of this account is done by the Internal Revenue Service.

6. What if you participate in the HDHP and health savings account in 2006, but chose a traditional plan in 2007; what happens to the account?

Answer: You may continue to use the money in the account in 2007 and beyond for qualified medical expenses, but you may not make further contributions to the account.

Questions about the arrangements at Tower Bank

7. Once you reach \$1,000 in the account, what is the interest paid?

Answer: The interest currently paid is 1.5 % on deposits between \$1000 and \$9,999.

8. How much does the bank charge to administer the accounts?

Answer: Tower bank charges \$8.00 to open the account and \$1.75 per month to administer the accounts. Those fees are paid directly out of the account.

9. Does the bank charge to issue debit cards? Will it issue more than one? Is there a charge for checks?

Answer: Tower bank does not charge for issuing a debit card and there are no transaction fees. Also, it will supply cards for additional authorized signers. There is a printing charge associated with ordering checks but there is no “per check” charge. The printing fee is \$7.25 per order.

Questions about the State’s contribution to the Health Savings Account

10. How will the state deposit its contribution—a lump sum or pro-rated amount?

Answer: The State will deposit its contribution every pay period on a pro-rated basis.

11. Will the State be making these contributions to employees’ accounts in future years?

Answer: The State’s contribution is for 2006. No decisions or commitments can be made about future years.

Questions about the Employee’s Contribution to the Health Savings Account

12. When an employee uses payroll deduction, can he or she put more money in at the beginning of the year?

Answer: Yes, you can set up your contributions during open enrollment and submit an AS-47, then change it later in the year by submitting a new AS-47. But, you may not contribute to the account more than what the deductible is for High Deductible Health Plan and that includes the State’s contribution. So, for 2006, individuals can only contribute an additional \$1000 and those with family coverage can contribute \$2000.

13. Can you make deposits of cash directly into the account?

Answer: Yes, you can deposit cash into the account, but in order to achieve tax savings on that deposit, you will need to record it on your tax return in the appropriate place.

Questions about the Mechanics of the High Deductible Health Plan

14. After you meet the deductible, what do you pay for prescriptions?

Answer: After the deductible is met in the HDHP, you will pay the designated co-insurance amount that relates to the Tier of drugs you are getting. There are 4 tiers: 1 is generics, 2 is preferred brand, 3 is non-preferred brand and 4 is certain specialty drugs. At a network pharmacy, you would pay 10% for generics, 20% for preferred brand, and 40% for the other two tiers.

15. What happens after you exhaust your deductible?

Answer: After you meet your deductible, you now have traditional coverage for health services. At a network provider, you will pay 20% for services.

16. How does the out of pocket maximum work?

Answer: Once the total dollars you have spent for the year, including deductible and co-insurance equals the out of pocket maximum of \$4000 for individuals and \$8000 for families, you now receive 100% coverage until the end of the year.

17. Does the co-insurance on prescriptions apply to the out of pocket maximum?

Answer: Yes, the co-insurance on prescriptions applies to the out of pocket maximum, but this only pertains to the high deductible health plan.

18. Where can we get a list of network discounts?

Answer: Unfortunately, a list of discounts is not available through Anthem, but your provider can tell you his or her discounts.

Questions about Other Insurance Coverage

19. If you have health insurance as a military retiree, can you have an HSA? What about if you are enrolled in Medicare?

Answer: In order to be eligible to establish and contribute to a health savings account, you must participate in the high deductible health plan and **you may not be covered by ANY other health insurance**. This also applies to your family members if you have elected family coverage.

20. If you elect to take individual coverage under the HDHP, can your spouse select family coverage through his employer?

Answer: Your spouse can select family coverage so long as you are not covered under that plan.